

## Message Text

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ACTION OPR-02

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FM AMEMBASSY JAKARTA

TO AMEMBASSY NAIROBI PRIORITY

INFO SECSTATE WASHDC 9079

UNCLAS SECTION 1 OF 2 JAKARTA 8131

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SUBJ: POSSIBLE COMMUNITY PURCHASE OF NAIROBI INTERNATIONAL SCHOOL

REF: NAIROBI 5570

1. JOINT EMBASSY SCHOOL (JES) IN JAKARTA DID NOT EXACTLY "PURCHASE" AN AMERICAN TYPE SCHOOL IN JAKARTA. IT WAS DECIDED IN 1969 THAT ITS PREDECESSOR, THE INTERNATIONAL SCHOOL, SHOULD BE CONVERTED INTO AN EMBASSY SCHOOL (TO ATTEMPT TO RESOLVE CUSTOMS, TAXES, VISAS, WORK PERMITS AND RELATED PROBLEMS). THE US EMBASSY THEN INITIATED ACTION WHICH RESULTED IN THE CREATION OF THE JES. IT WAS AND IS SPONSORED BY FOUR EMBASSIES, THOSE OF THE UNITED STATES, UNITED KINGDOM, AUSTRALIA AND YUGOSLAVIA. THIS REQUIRED NO CAPITAL INITIALLY.

2. AT THE TIME OF CREATION OF THE JES, THE SCHOOL POPULATION WAS EXPANDING RAPIDLY AND HAS CONTINUED TO DO SO EVER SINCE, RISING FROM ABOUT 300 PUPILS THEN TO AROUND 1,700 NOW WITH ABOUT 1,950 EXPECTED IN THE COMING SCHOOL YEAR. THE JES WAS THEREFORE FACED WITH AN URGENT NEED TO RAISE CAPITAL FOR EXPANDING ITS PHYSICAL PLANT. AT FIRST IT WAS THOUGHT THAT THE MONEY NEEDED, ESTIMATED AT ABOUT \$1 MILLION, COULD BE RAISED THROUGH CONTRIBUTIONS BY THE US GOVERNMENT AND (FOR THE LARGER PART OF IT) BY DONATIONS FROM MAJOR FOREIGN COMPANIES IN JAKARTA-PARTICULARLY AMERICAN OIL COMPANIES. BY THE TIME SOME \$245,000 HAD BEEN RAISED

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BY DONATIONS FROM COMPANIES, ALL BUT ABOUT \$5,000 OF IT

FROM ONLY 4 COMPANIES, IT WAS REALIZED THAT A NEW SYSTEM WOULD HAVE TO BE FOUND.

3. IT WAS THEN DECIDED TO TRY OUT THE CAPITAL LEVY CERTIFICATE (CLC) SYSTEM. A CLC IS BASICALLY A CERTIFICATE REPRESENTING A LOAN TO THE SCHOOL BY AN INDIVIDUAL OR BY A COMPANY AT A NEGATIVE RATE OF INTEREST AND ENTITLING THE HOLDER OF IT TO A SEAT IN THE SCHOOL FOR THE LIFE OF THE CLC. THE FOUR COMPANIES WHICH HAD DONATED THE BULK OF THE \$245,000 WERE GIVEN THE CHOICE OF ACCEPTING "U" OR "A" CERTIFICATES WITH A TOTAL VALUE EQUIVALENT TO THAT OF THE INDIVIDUAL COMPANY'S DONATION. THE "U" CLCS WERE AND ARE VALID INDEFINATELY. NO FURTHER "U" CLCS WERE EVER ISSUED. THE "A" SERIES IS VALID FOR 25 YEARS AND DEPRECIATES AT THE RATE OF \$75 PER YEAR. (BOTH THE "U" AND "A" SERIES HAVE A FACE VALUE OF \$1,500 EACH) IN APRIL 1972 THE "A" SERIES WAS SUCCEEDED BY THE "B" SERIES WHICH HAD A FACE VALUE OF \$2,200 EACH, WERE VALID FOR 24 YEARS AND DEPRECIATED AT THE RATE OF \$75 ANNUALLY FOR THE FIRST 8 YEARS AND \$100 ANNUALLY FOR THE NEXT 16. A "C" SERIES SUCCEEDED THE "B" SERIES IN MAY 1973. THESE WERE VALUED AT \$2,500 EACH, VALID FOR 25 YEARS AND DEPRECIATED AT THE RATE OF \$100 A YEAR. THE CURRENT "D" SERIES SUCCEEDED THE "C" SERIES IN JANUARY 1974. THEY ARE VALUED AT \$3,000 EACH, ARE VALID FOR 24 YEARS AND (UNLIKE THE PREVIOUS SERIES) DEPRECIATE \$125 IMMEDIATELY ON PURCHASE AND BY THE SAME AMOUNT ANNUALLY ON THE ANNIVERSARY OF ISSUING DATE.

4. A PERSON WISHING TO ENTER A CHILD IN THE SCHOOL MUST BUY A CLC IN ADVANCE OF THE SCHOOL REGISTRATION AND ALSO PAY THE ENTIRE YEAR'S TUITION FEE IN ADVANCE. IF THAT PERSON SHOULD LEAVE JAKARTA AFTER TWO YEARS, FOR EXAMPLE, HE WOULD BE REIMBURSED BY THE JES FOR THE DEPRECIATED VALUE OF THE CLC, IE, IN THE CASE OF THE "D" SERIES, HE WOULD GET BACK \$2,626. HOWEVER, UNDER THE JES SCHOOL BOARD'S POLICY HE WOULD BE REIMBURSED THIS AMOUNT ONLY AFTER THE SALE OF A NEW CLC TO SOMEONE ELSE AT THE FULL CURRENT VALUE THEN PREVAILING. THUS THIS SYSTEM PREFERABLY REQUIRES AN EXPANDING OR AT LEAST STABLE SCHOOL

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POPULATION. THE TOTAL VALUE OF CLCS NOW HELD IS AROUND \$4. MILLION. THE CLCS ARE HELD BY MANY ORGANIZATIONS INCLUDING OVER 20 EMBASSIES, MANY BUSINESS FIRMS, MISSIONARY ORGANIZATIONS, CHARITABLE FOUNDATIONS, UN ORGANIZATIONS, AND BY INDIVIDUAL PERSONS. IT IS COMMON FOR A COMPANY TO HOLD A NUMBER OF CERTIFICATES FOR ITS EMPLOYEES. THE CLC SYSTEM HAS WORKED EXTREMELY SUCCESSFULLY FOR THE JES. SINCE ITS INCEPTION, THE FINANCIAL

POSITION OF THE SCHOOL HAS BEEN STRONG. PART OF ITS SUCCESS HAS BEEN DUE TO FACT THAT A NUMBER OF LARGE AND FINANCIALLY STRONG FOREIGN FIRMS HAVE BEEN REPRESENTED HERE AND BECAUSE FOREIGN ECONOMIC INTERESTS IN INDONESIA HAVE CONTINUED TO EXPAND. (THERE ARE NOW AROUND 46 NATIONALITIES REPRESENTED IN THE JES, ABOUT HALF OF THE CHILDREN BEING AMERICAN.)

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INFO SECSTATE WASHDC 9080

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5. IN THE EARLY YEARS OF TH JES THE SALE OF CLCS ALONE DID NOT RAISE ENOUGH MONEY FOR THE NEEDED EXPANSION OF THE PHYSICAL PLANT. THE REMAINDER WAS CONTRIBUTED BY THE USG IN SEVERAL GRANTS IN THE PERIOD. THE USG EQUITY ON THE JES WAS IN 1974 CONVERTED TO AN NUMBER AND TYPE OF CLCS CORRESPONDING TO WHAT A PRIVATE PERSON OR COMPANY WOULD HAVE RECEIVED FOR SIMILAR CONTRIBUTIONS DURING THE TIMES WHEN THEY WERE MADE. THUS THE US EMBASSY NOW HOLDS IN THE NAME OF THE USG 132 "U" CERTIFICATES, 100 "A" AND 70 "B" CERTIFICATES. ITS TOTAL NUMBER OF CLCS FAR EXCEEDS THE NUMBER OF USG DEPENDENTS IN THE JES.

6. IN ADDITION TO THE OUTRIGHT CONSTRUCTION GRANTS GIVEN BY THE USG, THE USG HAS ALSO REGULARLY MADE GRANTS FOR OPERATING FUNDS OF THE SCHOOL. FOR THE COMING SCHOOL YEAR, THE AMOUNT IS \$54,000. LAST YEAR IT WAS \$54,500. THE TOTAL OF THE USG GRANTS MADE FOR OPERATING EXPENSES IS \$400,730. THUS THE USG IN THE PERIOD FROM 1959 TO FEBRUARY 1975 GAVE GRANTS TO THE JES (AND ITS PREDECESSOR) TOTALLING

\$1,028,230. OF THIS AMOUNT, \$400,730 WERE FOR SCHOOL OPERATIONS. THE REMAINING \$627,500 WERE GRANTED FOR CONSTRUCTION IN 1959 AND 1969-72.

7. IN ORDER TO CREATE THE JES THE AMBASSADORS OF THE SPONSORING EMBASSIES CREATED A FOUNDATION, THE JOINT EMBASSY SCHOOL FOUNDATION, REGISTERED IN INDONESIA AND UNCLASSIFIED

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CAPITALIZED AT RP1,000(AROUND \$2.50). THIS WAS PRIMARILY TO HAVE A LEGAL ENTITY TO TAKE OVER THE PHYSICAL PLANT AND OTHER ASSETS OF THE INTERNATON SCHOOL FOUNDATION WHICH HAD CREATED, OWNED AND OPERATED THE INTERNATIONAL SCHOOL. THE AMBASSADORS TEN EACH APPOINTED A GOVERNOR TO THE BOARD OF GOVERNORS OF THE JES FOUNDATION, WITH THE STIPULATION THAT THE AMERICAN REPRESENTATIVE WAS ALWAYS TO SERVE AS CHAIRMAN OF THAT BOARD, WHICH IS STILL THE CASE. THE BOARD OF GOVERNORS HEN WROTE A CONSTITUTION FOR THE SCHOOL AND ESTABLISHED A 12 PERSON JES BOARD OF EDUCATION TO MANAGE THE SCHOOL AFFAIRS. FOUR MEMBERS OF THE BOARD ARE THE SO CALLED "DIPLOMATIC REPRESENTATIVES." THEY ARE APPOINTED DIRECLY BY THE SPONSORING AMBASSADORS AND SERVE INDEFINATELY AT THE PLEASURE OF THEIR RESPECTIVE AMBASSADORS. UNDER PROVISION OF THE JES CONSTITUTION, THE US EMBASSY REPRESENTATIVE IS CHAIRMAN OF THE SCHOOL BOARD AND ONE OF THE OTHER DIPLOMATIC REPRESENTATIVES CUSTOMARILY SERVES AS VICE CHAIRMAN. THE DIPLOMATIC REPRESENTATIVES ANNUALLY COOPT FOUR BOARD MEMBERS FROM THE COMMUNITY AT LARGE FOR ONE YEAR TERMS BEGINNING JULY 1. THE OTHER FOUR MEMBERS ARE ELECTED FOR ONE YEAR TERMS BEGINNING JULY 1 BY THE JES PARENTS' ASSOCIATION TO WHICH ALL PARENTS OF JES CHILDREN BELONG AUTOMATICALLY AND WITHOUT FEES.

8. THE JES HAS FOR THE MOST PART NOT HAD ANY OFFICIAL RELATIONSHIP WITH THE HOST GOVERNMENT NOT HAS THE HOST GOVERNMENT HAD ANY HAND IN RUNNING THE JES. IT HAS EXISTED MORE OR LESS AS AN AUTONOMOUS OR SEMI-AUTONOMOUS EXTENSION OF THE SPONSORING EMBASSIES AND THEREBY ENJOYED A QUASI DIPLOMATIC STATUS EVEN THOUGH TODAY ONLY AROUND 20 PCT OF THE PUPILS ARE DEPENDENTS OF PERSONS WITH DIPLOMATIC STATUS. HOWEVER THIS HAPPY SITUATION IS NOW UNDERGOING CHANGE BECAUSE OF AN INDONESIA GOVERNMENT DECREE CONCERNING FOREIGN SCHOOLS, AND THE SCHOOL MAY AGAIN HAVE TO CHANGE ITS STATUS. THIS HOWEVER HAS MANY COMPLICATIONS WHICH WE DOUBT ARE RELEVANT TO THE NAIROBI SITUATION.

9. WE ARE POUCHING VARIOUS RELEVANT DOCUMENTS TO YOU INCLUDING A COPY OF THE ARTICLES OF THE JES FOUNDATION,

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THE JES CONSTITUTION AND BY LAWS, A JES BROCHURE FOR  
1975-76 AND A COPY OF A CLC.

10. IF WE CAN BE OF FURTHER ASSISTANCE TO YOU, PLEASE  
LET US KNOW. NEWSOM

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## Message Attributes

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